

# HIGHLIGHTS OF 2004



## ECONOMIC AND BANKING ENVIRONMENT

Hong Kong's economic recovery gathers momentum in 2004, with strong domestic and external demand. Real GDP grows by 8.1%.

Banks in Hong Kong continue to see growth in profits. But high liquidity and keen competition put pressure on margins.

New \$20, \$50 and \$1,000 Hong Kong banknotes, with advanced security features, are issued in October.



## MONETARY STABILITY

The exchange rate of the Hong Kong dollar remains stable during the year amid strong fund flows.



## BANKING STABILITY

The HKMA and Hong Kong's banking sector continue to prepare for the implementation of Basel II.

The Deposit Protection Scheme Ordinance is enacted. The Commercial Credit Reference Agency starts operation.



## MARKET INFRASTRUCTURE

The Clearing and Settlement Systems Ordinance is enacted and comes into force.

System improvements are made to ease banks' liquidity pressure at times of large fund flows related to IPOs.



## INTERNATIONAL FINANCIAL CENTRE

The launch of Asian Bond Fund 2 is announced in December.

Renminbi services are introduced by banks in Hong Kong. Total outstanding renminbi deposits in Hong Kong exceed RMB12 billion yuan by the end of 2004.



## RESERVES MANAGEMENT

The Exchange Fund achieves an investment return of 5.7% in 2004.

Hong Kong's foreign currency reserves stand at US\$123.6 billion at the end of 2004.